

Combating Economic Crimes: The Political Nexus

by Srinath Fernando

In Sri Lanka the middle class and the 'not so privileged' class have an inclination to pay the utility bills promptly for the fear of governments authority to disconnect the utility service at will for the failure to make payment for the service obtained. Many even resort to pawning their jewellery to settle the bills. This is



the day-to-day dilemma for the ordinary citizens of this country. Whereas there are big businesses and crooks who systematically evade the tax and depriving the government of billions of rupees yet they survive without being questioned, investigated or penalized. They are being protected and nurtured by a phenomenon called the secret political influence and also by the mafia link with the enforcement authorities. Politics and Mafia mix well as both pursues short cut to wealth. John Dickie, an authority on mafia, in his book *A History of the Sicilian Mafia: Cosa Nostra has defined mafia as 'pursuing power and money by cultivating the art of killing people and getting away with it, and by organizing itself in a unique way that combines the attributes of a shadow state, an illegal business, and a sworn secret society'*.

In Sri Lanka economics crimes have been on the increase ever since the economy was liberalized when UNP government came into power in 1977. The open economic principles brought about a massive economic activity and led to a number of mega construction projects. The Skyscrapers of Colombo could be seen from afar, a clear reflection of the success of the JRJ's economic policies. It also brought along with it the negative side. The SLFP led governments were in power since 1994 and its economic performance has not been as impressive as the UNP's 18 year rule, during which time massive projects such as Colombo Port, and Mahaweli project were completed.

With the advent of open market economics, many crimes were attempted at. The most spectacular economic crime people heard during the last two decades was the siphoning off of kerosene from a pipeline running from Colombo harbour to the Sapugaskanda Refinery. A classic economic crime, which also had some political connections. Though the origin of economic crimes originates from the time economy was liberalized but it does not per se warrant criticism,

loop holes in the system. International criminal organizations who engage in the drug trade, gun smuggling, fraud, counterfeiting, tax evasions, poaching, money laundering and other financial crimes, cyber crimes, computer and credit card frauds were ever poised to make use of such opportunities. No single individual obviously can be privy to such sophisticated crimes and it has to be a combination of masters of the game (the planners), the criminals (operatives) and the authorities (mafia link in the Police, Customs etc.). When most people think of organized crime, their immediate perception is the Italian style 'Godfather' movies. In an article in the *African Security Review* (Vol 11 No:1 2002), Noel Kututwa has described economic and organized crime as follows: the criminal activities are 'organized' and distinct from 'isolated', the organization is self-perpetuating, the motive is financial gain and could be political, the goals are particular activities, which stifles outside competition., the top men (planners) are insulated from the criminal act, activities promote fear and corruption

The Government of Sri Lanka loses billions of revenue from such shady business activities. If a systematic and holistic approach is adopted in collecting revenue legally due for the government, the government would not have to resort to commercial borrowing from international financial markets. This would also enable the government to reduce the budget deficit. Since 9/11 the US and Western Governments have put in place a number of filters to check on the international terror networks as some terrorist organisations had involved in massive economic crimes world wide and this government intervention in checking *bone fides* of money transactions have effectively put a damper on fundraising for terrorist activities. In many advanced countries

Industrial Espionage is also monitored, however in Sri Lanka we do not have such an advanced technology to be protected from foreign

asset, if at all, is the Micro Cars, which needs some protection from eyes from abroad. Almost all the ex-Presidents appointed Special Presidential Commissions of Inquiry to look into allegations of corruption and abuse but Commissions only produced their reports except for a few prosecutions. .

Revenue intelligence

We have had several attempts on the lives of customs officers and other government officers involved in investigating corruption. This would put a restraint on honest dedicated investigators from going about their routine work if their lives are threatened. News media exposes, on a weekly basis, massive scale corruption and shady deals by top government officials.

We have established a Commission to Investigate Bribery & Corruption but no big sharks have ever been convicted.

With the advent of technology Economic crime has become highly sophisticated primarily in light of the advances in information and telecommunication technologies. It would be difficult for an ordinary police officer to investigate a sophisticated crime unless he or she has had specialised training. Investigating an economic crime would entail a lot of time and even with evidence, to secure a conviction depends on legal niceties. There are a number of hurdles in the path of combating economic crimes. The main hurdle is the practical aspect of investigating a crime and the loopholes in our laws that allows a crook to circumvent the law. It is perhaps time a Special Presidential Commission was established to look into the entire gamut of economic crimes and to recommend law reforms necessary to arrest this situation.

Lessons from other countries

Nigeria has had a resurgence of economic crimes as a result of its oil wealth and its economic boom. The Government of Nigeria established **Financial and Economic Crimes**

illegally either individually or in a group or organised manner thereby violating existing legislation governing the economic activities of the government and its administration and includes any form of fraud, narcotic drug trafficking, money laundering, embezzlement, bribery, looting and any form of corrupt malpractices, illegal arms deals, smuggling, human trafficking and child labour, oil bunkering and illegal mining, tax evasion, foreign exchange malpractices including counterfeiting of currency, theft of intellectual property and piracy, open market abuse, dumping of toxic wastes, and prohibited goods etc". The Act also defines the meaning of terrorism though the ambit of

and to form a unified National Revenue Authority but had to be shelved due to pressure from Trade Unions. The merger itself does not guarantee that it would enhance the revenue collection for the government what is important is the radical departure from our current system of revenue collection and to introduce a system where officers of Customs and Inland Revenue have the necessary wherewithal to investigate economic crimes. Enactments of new laws will remain only in the books, but the will to pursue a case solely depends on the team sent to investigate a case. They should be adequately motivated, protected and incentives are offered for successful prosecution of offences. Customs and Inland Revenue Intelligence Unit should be reorganised and staff should be adequately trained to deal with high tech crimes.

Central Bank of Sri Lanka too should be actively involved in preventing economic crimes; it showed some genuine enthusiasm when Pyramid schemes made its mark in Sri Lanka. Likewise public awareness is created as regards other scams so that unsuspecting citizens are saved from pitfalls. Gambling and Casinos are good money spinners for the economy, as is the income from tobacco and liquor sales, and Sri Lanka cannot afford to do away with such enterprises. An effective economy requires that all business functions, though some may be morally repugnant, should reasonably be monitored and regulated. It does not mean that such industries should be banned and there should be adequate checks and balances.

Getting rid of corruption and abuse in Sri Lanka is not an easy task, it is so rampant in most developed countries as well. What is required is the political will. Politicians themselves are protected, nurtured and financed by shady characters. How will we ever see the end of corruption? The day we get rid of causes of corruption and abuse, would we find a prosperous Sri Lanka.

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South Africa also established an authority by an act of parliament (**Financial Intelligence Centre Act No. 38 of 2001**) with the purpose of assisting in the identification of the proceeds of unlawful activities and the combating of money laundering activities. The other objectives of the Centre are to make information collected by it, available to investigating authorities, the intelligence services and the South African Revenue Service to facilitate the administration and enforcement of the laws of the Republic and to exchange information with similar bodies in other countries regarding money laundering activities and similar offences.

Press reports indicated that UNP administration had ambitious plans to merge the Customs Department and Inland Revenue

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